

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

**The Market Conduct Examination
of Dairyland Insurance Company.**

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) No. G 98 - 45

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) FINDINGS, CONCLUSIONS, AND

) ORDER ADOPTING REPORT

)

BACKGROUND

An examination of the market conduct of Dairyland Insurance Company (the Company) for the period October 31, 1996, to October 31, 1997, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner. The Company is an insurer authorized under RCW 48.05.030. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner.

This examination was limited to activities relating to policies issued in the State of Washington, and to claims closed for Washington insureds from October 31, 1996-October 31, 1997. Complaints were reviewed from 1992 through the exam period for trend identification. The examination included a review of the following areas: Complaint handling; Underwriting, including new issue, renewals, non-renewal and cancellation practices; Claim settlement practices.

The examination report with the findings and recommendations was transmitted to the Company for its comments on August 21, 1998. The Company responded that it had no changes to suggest to the draft report. The Company did not request a hearing.

The Commissioner or a designee has considered the report, the relevant portions of the examiner workpapers, and the submission by the Company.

Subject to the right of the Company to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained in pages 4-11 in the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of the Company.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby **ADOPTED** as the final examination report.

It is **ORDERED** that the Company comply with the Instructions in the Report no later than 30 days from the date of this order and continuing thereafter. Those instructions are as follows:

1. The company is instructed to establish procedures to ensure policies are not non-renewed because the agent and the company have terminated their relationship, pursuant to the requirements in RCW 48.17.591(1). (page 7)
2. The company is instructed to correct their non-renewal documentation to show only those conditions allowed in RCW 46.52.130 and RCW 48.18.295(2) as a basis for non-renewal. (page 7)
3. The company is instructed to change all written correspondence to indicate the legal name of the company pursuant to the requirements of RCW 48.05.190(1). (page 9)
4. The company is instructed to comply with WAC 284-30-340(1) regarding documentation of dates and pertinent events in all claim files. (page 9)
5. The company is instructed to comply with the requirements of WAC 284-30-350 requiring disclosure to first party claimants all the pertinent benefits and coverages available to them. (page 9)

6. The company is instructed to require claim handlers to respond to all pertinent communications regarding claims within the 10 day time frame established in WAC 284-30-360(1). (page 10)

7. The company is instructed to comply with their own internal standards in order to meet the requirements of WAC 284-30-330(3) and WAC 284-30-370 regarding prompt claim investigation. (page 10)

8. The company is instructed to evaluate total losses according to the methods established in WAC 284-30-390(1)(a)-(1)(b)(ii). The company is further instructed to eliminate the practice of deducting sales tax and transfer fees from owner retained total loss settlements. Salvage values are to be established according to WAC 284-30-390(1)(c). (page 10)

ENTERED at Lacey, Washington, on September 30, 1998.

DEBORAH SENN

Insurance Commissioner

By:

WILLIAM E. FRANSEN

Deputy Commissioner